

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO THE)	CASE NO.
FINANCIAL CAPACITY OF JONATHAN)	2021-00082
CREEK WATER DISTRICT)	

ORDER

The Commission, on its own motion, initiates this proceeding for the purpose of ordering Jonathan Creek Water District (Jonathan Creek District) to file for an adjustment in base rates or file for an alternative rate filing within one year of the date of filing of this Order to ensure that its rates are sufficient. In the final Order of Case No. 2017-00323,¹ the revenue required from rates was calculated as \$990,730 with operating expenses of \$900,107.² Jonathan Creek District has consistently exceeded the amount of operating expenses every year subsequent to this rate case by a significant amount.³ Given that the increase to Jonathan Creek District's base rates were calculated to generate less than its current operating expense, the Commission has good cause to reason that Jonathan Creek District is subsisting off of its depreciation expense to continue to provide reasonable service.

¹ Case No. 2017-00323, *Application of Jonathan Creek Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 21, 2017).

² *Id.*

³ *Annual Report of Jonathan Creek Water District to the Public Service Commission for the Calendar Year Ended December 31, 2018* (2018 Annual Report) (Operating expenses of \$1,161,073); *Annual Report of Jonathan Creek Water District to the Public Service Commission for the Calendar Year Ended December 31, 2019* (2019 Annual Report) (Operating expenses of \$1,066,268).

Commission Staff performed an inspection of Jonathan Creek District's system on January 21, 2021, and notified Jonathan Creek District of two deficiencies that require remediation.⁴ In a letter sent on February 16, 2021, Commission Staff identified the first deficiency that Jonathan Creek District is failing to test meters according to 807 KAR 5:066, Section 16(1). Commission Staff explained that there is no master meter testing and there are 114 size 5/8 meters that are out of compliance. The second deficiency identified by Commission Staff was that Jonathan Creek District was failing to operate its facilities so as to provide adequate and safe service to its customers as required by 807 KAR 5:066, Section 7, due to water loss exceeding 15 percent. The letter noted that the 2019 Annual Report for Jonathan Creek District showed a 27.95 percent of the total water produced was unaccounted-for water loss. That amount of unaccounted-for water loss equals \$55,222 that cannot be recovered for ratemaking purposes.⁵ Jonathan Creek District emailed Inspections Staff on May 10, 2021, that the utility is attempting to address the deficiencies and explained that budgeting accounts for some determination of what infrastructure is repaired and replaced.⁶ Based upon a review of the filings at the Commission over the past few years, there is a reasonable basis to question whether Jonathan Creek District's rates are sufficient to allow the utility to continue to provide safe and reliable water service.

⁴ See Attached. Letter of Feb. 16, 2021 to Jonathan Creek Water District from PSC Inspections; Inspection of Jan. 22, 2021; and Response of May 10, 2021.

⁵ *Id.*

⁶ *Id.*

The Commission finds that:

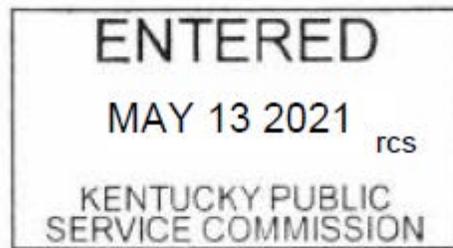
1. Within one year of the date of this Order, Jonathan Creek District should file with the Commission for an adjustment in base rates or file for an alternative rate filing.

IT IS THEREFORE ORDERED that:

1. Within one year of the date of this Order, Jonathan Creek District shall file with the Commission for an adjustment in base rates or file for an alternative rate filing.

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By the Commission



ATTEST:



Executive Director

ATTACHMENT

ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00082 DATED MAY 13 2021

TEN PAGES TO FOLLOW



Andy Beshear
Governor

Rebecca W. Goodman
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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Michael J. Schmitt
Chairman

Kent Chandler
Vice Chairman

Talina R. Mathews
Commissioner

February 16, 2021

David Lovett
Jonathan Creek Water District
P.O. Box 414
Benton, KY 42025

Re: Periodic Water Inspection (Covid-19)
Jonathan Creek Water District Water System
Marshall County, KY

Dear David Lovett:

Public Service Commission staff performed a periodic inspection of the Jonathan Creek Water District water system on January 22, 2021, reviewing utility operations and management practices pursuant to Commission regulations. The report of this inspection is enclosed with this letter.

Based on the inspector's observations, two deficiencies were identified.

1. Utility is failing to test meters according to 807 KAR 5:066, Section 16(1). (No master meter testing and 114 5/8 meters out of compliance)
2. Utility is failing to operate its facilities so as to provide adequate and safe service to its customers as required by 807 KAR 5:066, Section 7, due to water loss exceeding 15 percent. (2019-27.95)

According to the Jonathan Creek Water District's annual report for 2019, unaccounted for water loss equaled approximately 27.95 percent of the District's total water produced. The Utility produced \$55,222 of water that cannot be recovered for rate making purposes.

For the two deficiencies listed above an explanation of why these deficiencies occurred and how they will be remedied and prevented in the future shall be submitted by March 16, 2021. The 2019 annual report has a deficiency that needs to be addressed as well.

Please review the enclosed inspection report in its entirety as you will find further information noted in regard to the inspection. If you have any questions regarding this

Periodic Water Inspection
Jonathan Creek Water System
February 16, 2021
Page 2 of 2

inspection, feel free to contact Erin Donges at 502-782-2627 or via email at erin.donges@ky.gov.

Sincerely,

ERIN DONGES

Erin Donges
Utility Regulatory & Safety Investigator
Public Service Commission

Enclosure(s)

Copy: Jeff Obrien, Chairperson

KENTUCKY PUBLIC SERVICE COMMISSION YEARLY COMPLIANCE INSPECTION

UTILITY: JONATHAN CREEK WATER DISTRICT

UTILITY LOCATION: 870 PARKWAY DR. SALYERSVILLE, KY 41465

INVESTIGATOR: ERIN DONGES

DATE OF INSPECTION: JANUARY 22, 2021

DATE OF LAST INSPECTION: OCTOBER 24, 2019

DEFICIENCIES NOTED DURING LAST INSPECTION:

1. UTILITY IS FAILING TO OPERATE ITS FACILITIES SO AS TO PROVIDE ADEQUATE AND SAFE SERVICE TO ITS CUSTOMERS AS REQUIRED BY 807 KAR 5:066, SECTION 7, DUE TO WATER LOSS EXCEEDING 15 PERCENT.

UTILITY CONTACT: DAVID LOVETT (SUPERINTENDENT)

EMAIL ADDRESS: JONCRKWATER@WK.NET

PHONE NUMBER: (270) 354-8474

CHAIRMAN: JEFF OBRIEN

SOURCE WATER: UTILITY HAS TWO WELLS THAT PROVIDES WATER FOR ITS DISTRIBUTION SYSTEM.

DISTRIBUTION SOURCE WATER: UTILITIES DISTRIBUTION SYSTEM IS PROVIDED WITH WATER FROM ITS WATER TREATMENT PLANT AND HAS AN EMERGENCY CONNECTION WITH NORTH MARSHALL WATER DISTRICT.

AREA OF OPERATION: SOUTHERN MARSHALL COUNTY

AVERAGE AMOUNT PURCHASED: ACCORDING TO THE 2019 ANNUAL REPORT THE UTILITY PRODUCED 491,419 GALLONS OF WATER PER DAY.

CUSTOMERS: 2,459

(COVID-19) INSPECTIONS CHECK LIST

1. **CUSTOMER COMPLAINTS (5)**
2. **METER TEST BENCH CERTIFICATION (IF APPLICABLE)**
3. **MASTER METER TESTING**
4. **SAFETY MEETINGS AND CPR CERTIFICATION (CPR EXP 2023)**
5. **INSPECTION RECORDS (TANKS, PUMP STATIONS, WATER TREATMENT PLANT, VEHICLES, CONSTRUCTION EQUIPMENT, VALVES, METERS, WELLS)**
6. **PRESSURE CHARTS**
7. **LEAK LOG**
8. **MONTHLY WATER LOSS REPORTS (2020) (WATER LOSS 2019- 27.95%)**
9. **FLUSHING RECORDS(2020)**
10. **FIRE DEPARTMENT USAGE REPORTS (2020)**
11. **LIST OF WATER STORAGE TANKS, PUMP STATIONS, WELLS, MASTER METERS**
12. **WATER PURCHASE/WHOLESALE CONTRACTS**
13. **CURRENT CUSTOMER AND WHOLESALE RATE SHEET**
14. **LIST OF COMMISSIONERS (WATER BOARD), BACKGROUND, TERM EXPIRATION, HOW MANY YEARS ON BOARD**
15. **LAST CASE FILED WITH THE COMMISSION (2020-00080)**
16. **LAST RATE CASE FILED WITH THE COMMISSION (2017-00323)**
17. **QUARTERLY METER REPORTS (2020)**
18. **A LIST OF POTENTIAL CASES IN THE NEXT YEAR**
19. **IF I HAVE CONTACTED YOU ABOUT SITE VISIT ADDRESSES THEN DISREGARD. IF NOT PLEASE LIST PHYSICAL ADDRESSES TO PUMP STATIONS AND WATER STORAGE TANKS**

THE FOLLOWING DEFICIENCIES WERE NOTED AT TIME OF INSPECTION:

1. **UTILITY IS FAILING TO OPERATE ITS FACILITIES SO AS TO PROVIDE ADEQUATE AND SAFE SERVICE TO ITS CUSTOMERS AS REQUIRED BY 807 KAR 5:066, SECTION 7, DUE TO WATER LOSS EXCEEDING 15 PERCENT. (2019-27.95%)**
2. **UTILITY IS NOT TESTING METERS AS REQUIRED BY 807 KAR 5:066, SECTION 16(1). NO MASTER METER TESTING AND UTILITY HAS 114 5/8 RESIDENTIAL METERS OUT OF COMPLIANCE.**

COMMENTS: ANNUAL REPORT FOR 2019 HAS BEEN SUBMITTED BUT HAS BEEN FLAGGED FOR INSUFFICIENT/INACCURATE INFORMATION. THE UTILITY WAS NOTIFIED OF THE ISSUE IN JULY AND HAS YET TO RESOLVE THE ERROR.

REPORT BY:

ERIN DONGES

ERIN DONGES

UTILITY REGULATORY AND SAFETY INVESTIGATOR

KENTUCKY PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION

Annual Water Loss Summary

Water Utility:

Jonathan Creek Water District

For the Year:

2020

MONTH	WATER LOSS %
JANUARY	39.4
FEBRUARY	34.4
MARCH	41.2
APRIL	40.1
MAY	32.1
JUNE	31.8
JULY	28.2
AUGUST	22.5
SEPTEMBER	5.9
OCTOBER	16.1
NOVEMBER	18.0
DECEMBER	40.8
TOTAL ANNUAL WATER LOSS %	29.4

The highest water loss was 41.2 and occurred in the month of DECEMBER

The lowest water loss was 5.9 and occurred in the month of #N/A

LEGEND

Water Loss is less that 15%
Water Loss is between 15% - 30%
Water Loss is greater than 30%

Jonathan Creek Water District Board Members

	Background		Term		Years
Jeff O'Bryan	Business Owner	270-906-5810	6/30/2017	6/30/2021	3.5
Ron Davis	Business Owner	270-519-5086	9/18/2020	6/30/2022	4 months
Mike Dabolt	Industrial Construction	270-205-9736	6/30/2017	6/30/2022	3.5
Jimmy Tubbs	Retired Army Sargeant	270-703-1882	8/25/2015	6/30/2023	5.5
Ricky Jones	Retired School Administrator	270-703-8313	6/30/2018	6/30/2024	2.5

AREA Southeastern Marshall County, Kentucky

PSC KY NO. 1

2nd Revised SHEET NO. 4

CANCELLING PSC KY NO. 1

1st Revised SHEET NO. 4

Jonathan Creek Water District

(NAME OF UTILITY)

Rates & Charges

A. Monthly Rates

Customer Charge

Meter Size

5/8 Inch x 3/4 Inch Meter

\$ 6.96 Per Month (I)

1 Inch Meter

13.45 Per Month (I)

1 1/2 Inch Meter

24.29 Per Month (I)

2 Inch Meter

37.28 Per Month (I)

3 Inch Meter

67.61 Per Month (I)

6 Inch Meter

219.22 Per Month (I)

Water Charge

All Usage

\$ 6.54 Per 1,000 Gallons (I)

DATE OF ISSUE January, 4, 2018
MONTH / DATE / YEAR

DATE EFFECTIVE December, 21, 2017
MONTH / DATE / YEAR

ISSUED BY *Jimmie E. Bell*
SIGNATURE OF OFFICER

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2017-00323 DATED December 21, 2017

KENTUCKY PUBLIC SERVICE COMMISSION
Gwen R. Pinson Executive Director <i>Gwen R. Pinson</i>
EFFECTIVE 12/21/2017 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Jonathan Creek Water District

7564 US Highway 68 East
P.O. Box 414
Benton, Kentucky 42025
Office: 270-354-8474
Fax: 270-354-9176
Email: joncrkwater@wk.net



Erin Donges
Utility Regulatory & Safety Investigator
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

May 10, 2021

Dear Ms. Donges,

Please allow this communication to serve as Jonathan Creek Water District's response to the deficiencies noted in our January 22, 2021 inspection.

1. Due to the Covid-19 Pandemic we were unable to get someone to come & test our master meters. We are working diligently to remain compliant with our 5/8 meters & have already performed 150 meter change outs this year.
2. Our aging infrastructure has been something that has plagued our water loss for some time. We are working on replacing existing worn water mains as budgeting allows & completed the replacement of 3 this past year. We continue to repair leaks as soon as they are identified & are always on the look out to identify new areas of concern.

Respectfully,

David Lovett
Superintendent

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7564 U. S. Highway 68E
P. O. Box 414
Benton, KY 42025

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